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RUEHGL/AMCONSUL GUAYAQUIL 0467  
RUEHUB/USINT HAVANA 0707  
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C O N F I D E N T I A L SECTION 01 OF 03 CARACAS 001397

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TAGS: [ECON](#) [PGOV](#) [VE](#)

SUBJECT: VENEZUELAN CATTLEMAN'S ASSOCIATION: VIEWS ON  
EXPROPRIATIONS, MERCOSUR

REF: A. CARACAS 944

[1](#)B. CARACAS 808

Classified By: Acting Economic Counselor Shawn E. Flatt for Reason 1.4(D)

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Summary  
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[1](#)1. (C) On May 10, Econoffs met with Genaro Mendez, President of the Venezuela's Cattleman's Association (Fedenaga). Mendez has been outspoken against the BRV on rural expropriations, criticizing the National Land Institute's (INTI) support of land invasions. Fedenaga has chosen to fight the BRV in the courtroom, contesting eight clauses of the 2001 Land Law (Ley de Tierras) and is urging landowners to take their cases to court rather than accept extra-legal settlements with the government. The BRV is showing some signs of reaching out to Fedenaga, a traditional opponent. Mendez believes there is corruption within INTI and alleged cases where expropriated land has been turned over to individual BRV supporters, though he lacked concrete proof to make these allegations public. On Mercosur, Mendez said accession without adequate protections would severely harm the agricultural sector, particularly the cattle industry. End Summary.

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BRV reaching out?  
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[1](#)2. (C) Fedenaga, Venezuela's Cattleman's Association, is comprised of large and medium cattle ranch owners and dairy farmers nationwide. They have traditionally stood against the Chavez government, especially since the BRV started its current land reform effort targeting large landholdings. Nonetheless, for the first time in many years, Mendez was able to meet in April with the Agricultural Minister, Elias Jaua. Though Jaua has taken a hard line on expropriations in the past (declaring that "the revolution was above the law"), Mendez thinks that the outreach means the BRV realizes that it must work with its "political enemies" to prevent the

country from sinking any further. Mendez said the BRV was also reaching out to organizations in other sectors, such as the Construction Chamber, because they realized that they couldn't meet stated housing goals on their own. Mendez doesn't think this is a permanent change of heart, but rather a pragmatic move for this election year.

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Fighting the courtroom battle  
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13. (C) According to Mendez, Fedenaga as an institution has chosen to battle expropriations and invasions via legal means, despite some members of the organization calling for violent protests or strikes. Mendez thinks that strikes are ineffective against the government, since it can "endure long periods of hardship," even to the detriment of its own people. Fedenaga has introduced eight motions to declare a part of the 2001 Land Law unconstitutional. That law currently facilitates seizures, occupations, and has vague definitions of such crucial terms as "latifundio" (used to mean large landholdings, under current legislation means "idle land") or "productivity." The motions call for the retroactive cancellation of "cartas agrarias" (documents that allow occupation of the land by peasants and cooperatives, but not ownership), an interpretive ruling of the recently-passed Notaries Law (to clarify the validity of land titles), definitions of "latifundio," "private property," and objective standards for measuring these. Of the eight, Mendez is confident at least two will be granted (the clauses barring prior notification of owner before occupation and curtailing the right of an owner to defend property), since there is precedent. The two clauses were declared

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unconstitutional in 2002, but then were passed again by the National Assembly in 2004.

14. (C) Fedenaga is also urging landowners to fight their battles in court rather than negotiate extra-legally with the government (the "Cha-Az" method - Ref A). Mendez highlighted at least two examples where the owners "donated" part of their land to the BRV to end pressure to expropriate, only to find out months later that the BRV would not desist on the invasions or expropriations. In one case in Zulia, an owner "donated" 3,000 hectares of his 4,000 hectare property, and the BRV then occupied the entire ranch, leaving the owner with no recourse. In the case of La Marquesena (Ref A), the owner has one of the most solid land title chains in existence (dating back to colonial times), and Mendez thinks that Chavez intervened there to intimidate landowners.

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INTI's recipe for invasions  
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15. (C) Given the vagueness of the current Land Law, Mendez reports that INTI officials declare properties "idle" at their discretion, without any objective measures for terrain quality, cattle/land ratios, productivity rates, or a plan to delineate national agricultural/cattle production. A provision in the law designed to guard against counterfeit documents actually allows INTI to disregard any land title presented. According to Mendez, INTI has a three-step process for expropriating: 1) Declaring that the land is not private property by disregarding all documentation proving otherwise; 2) Declaring the land "idle"; and 3) Designating the land "latifundio" (idle and against public interest), which allows legal expropriation. Then INTI steps in, with military backing, and legally occupies the farm. Landowners can fight this move in court, but often INTI does nothing to enforce judgments in the landowner's favor. Mendez also noted INTI aids illegal occupants in squatting on and destroying property, either turning a complicit blind eye to occupations, or outright declaring that they are defenders of "peasants' rights." In many cases, groups burn down the

crops/pastures on land they want to occupy before INTI comes to do an "inspection." As Mendez puts it: "burnt land looks idle," and peasant groups eventually receive a "carta agraria" for the property.

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Foreign government intervention  
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¶7. (C) According to Mendez, the BRV settles in favor of landowners only when a foreign government intervenes. In the case of Spanish-owned lands in Yaracuy, the BRV only indemnified the owners (albeit at a lower price than the original land value) after the Spanish Embassy and President Zapatero took an interest in the issue. One of the owners of Hacienda Santa Rita in Barinas state is of Austrian origin, and got his Embassy to intervene. INTI is "studying" the option of paying for the land and improvements made upon it -- a concession that, Mendez notes, is rare in Venezuelan-owned properties. (Note: Venezuela has a bilateral investment treaty with Spain, but not with Austria. The decision to concede in Barinas may have been linked to Chavez' Vienna visit on May 12. End Note.)

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Corruption  
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¶8. (C) Mendez claimed that corruption is rampant in relation to land reform. To obtain a "Certificate of Productive Land" (which is good for two years), owners have to pay off INTI officials. In addition, Mendez suspects a wave of "new 'idle land' owners" -- Chavistas who have purchased expropriated land and are now "untouchable." Though Fedenaga doesn't have the funds, it would like to carry out a detailed study of public registries to confirm this trend with concrete

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information. Corruption is also present at the peasant/cooperative level -- Mendez noted that peasants receive funds and equipment and either sell that equipment off or spend their money elsewhere. He believed that the BRV is not interested in developing land that is truly "idle," since that requires time and investment, and would rather take already-productive land.

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Mercosur  
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¶9. (SBU) According to Mendez, entry into Mercosur would have a negative impact on the agricultural sector, especially cattle production. Venezuela would be competing against the number one beef exporter in the world, Brazil, and against the number three exporter, Argentina. Venezuela has far less production and capability - in part due to decreased investment in the sector - and it is therefore not competitive relative to other Mercosur members. Venezuela would also compete against Uruguayan dairy production (Venezuela's own dairy production currently does not meet domestic demand). Mendez noted that though the date for the first Mercosur negotiation is near (May 22), no one from the BRV has asked for his participation on a working table yet (Note: The Minister of Agriculture had told Fedenaga they would receive an invitation to participate by January 15. End Note.) Fedenaga believes that of all the possible trade agreements Venezuela could sign (including a U.S. FTA), Mercosur is the most dangerous for the agricultural sector, and that in order for Venezuela to accede, important protections must be in place for this sector.

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Comment  
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¶10. (SBU) Mendez' observations elucidate the uphill battle

private landowners face if they become INTI's target. While legal recourse is the only realistic option Fedenaga sees, it is likely that any success it might achieve will be tempered by slow courts and enforcement problems. Unlike previous land reform attempts, Chavez' movement uses government institutions to promote invasions and occupations, leaving little recourse for Venezuelan landowners. Outreach by the Ministry of Agriculture may indicate the BRV is willing to dialogue with opposition sectors this election year. It may also be a recognition that some alternative Bolivarian economic models (such as the rural cooperatives) aren't completely delivering the goods. The BRV seems to be trying to work with the sector to find a less contentious way of going about land reform and ensure that the sector as a whole remains viable. Until that happens, rural investment will continue to plummet. End Comment.

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